



LODGING NEWS

BREAKING NEWS FOR HOTEL EXECUTIVES



WASHINGTON, D.C. • FRIDAY, JUNE 14, 2002 • VOL. 6/No. 21 • 202-289-3113

The U.S. lodging industry will record aggregate profits of \$17.2 billion in 2002 as a result of cost reductions that were implemented last year, according to PricewaterhouseCoopers' latest forecast. The anticipated 3 percent increase compares very favorably with the 7.8 percent profit decline (to \$15.4 billion) that PWC projects would have occurred had aggressive cost-control and expense-reduction measures not been carried forward and fine-tuned. Among other things, hoteliers implemented the following procedures to reduce costs in the wake of the recession and the dropoff in travel following the events of September 11: reductions in the number of employees and the number of hours they are scheduled to work; reductions in advertising, renovations, maintenance, and bonus expenditures; reductions in the number of restaurants open and/or the hours of operation for restaurant and food service personnel; changes in food service to include more buffet offerings, more limited menus, and the elimination of high-cost food items; reductions in the number of hours bell staff, doormen, concierge, and spa staff are scheduled to work; training program postponements; reductions in amenities; pay reductions and skipped salary adjustments; reductions in the number of property decorations; and the creation of employee teams tasked with identifying further cost savings. "Had the industry not responded quickly, profits would have decreased this year," says Bjorn Hanson, global industry leader for PWC's Hospitality & Leisure Practice. "Some of these cost reductions seem to be institutionalized, and some can only continue for a limited time or they will affect the quality of facilities and guest service." PWC also anticipates a 0.9 percent increase in revenues, to \$108.7 billion, and notes that industry profits declined for the first time in a decade in 2001. Profits are expected to reach \$19.8 billion in 2003—a 15.1 percent gain from this year's anticipated profits.

Domestic RevPAR, ADR, and occupancy continued to underperform during the week of June 2–8, according to the latest data from

Smith Travel Research. After starting the week at -6.4 percent (\$40.42), RevPAR slid to -8.3 percent (\$57.29) on Tuesday before recovering to -3.2 percent (\$61.90) on Saturday—resulting in a weekly average (\$54.53) 6 percent below the same period in 2001. ADR steadily improved throughout the week, starting at -4.5 percent (\$81.38) on Sunday and rebounding to -2.2 percent (\$81.79) on Saturday for a weekly average (\$82.57) 3.8 percent below 2001 levels. Occupancy continued to approach same-period 2001 levels, starting the week down 2 percent (49.7 percent), sliding to -4.1 percent (67.8 percent) on Tuesday, and inching up to -0.3 percent (71 percent) on Friday—resulting in a weekly average (66 percent) 2.4 percent below the same period last year. All five segments posted negative ADR, occupancy, and RevPAR growth.

Carlson Hotels Worldwide has unveiled a global organizational restructuring designed to integrate the hotel company across all of its brands in three major markets—Asia-Pacific, the Americas, and Europe/Middle East/Africa, *Travel Weekly Crossroads* reports. As a result of the move, Paul Kirwin, president of Country Inns & Suites, will relocate to Singapore in August to serve as managing director of Carlson Hotels Asia-Pacific. Kirwin's successor at Country Inns & Suites, as well as details on the structure of Carlson's other markets, will be announced in the weeks to come. According to Jay Witzel, executive vice president for Carlson and president/COO for Radisson Hotels & Resorts, the goal of the restructuring "is to provide the most efficient and effective support platform for all our brands in the world's primary economic theaters." (Carlson's hotel brands operate in 813 locations in 63 countries.)

The U.S. Environmental Protection Agency this week launched a new ENERGY STAR performance rating tool tailored exclusively to hotels. For the first time ever, hoteliers may now benchmark their energy performance

CONTINUED >>

Lodging News is brought to you by your member state association and the American Hotel & Lodging Association.

If you do not wish to receive this complimentary benefit of membership, please e-mail mmisek@lodgingmagazine.com to be removed from our list.

against competitors on a nationwide scale of one to 100. The tool, available at www.energystar.gov/ benchmark, allows hotels to analyze the energy performance of their buildings, set goals for improvement, and track their progress online using the EPA's portfolio manager. Top performers will be granted the right to display the ENERGY STAR label at their properties. "Last year alone, Americans—with the help of ENERGY STAR—saved \$5 billion on their energy bills and reduced pollution equivalent to that of 10 million cars," EPA administrator Christie Whitman told attendees of this week's Energy Efficiency Forum at the National Press Club in Washington, D.C. "I look forward to working in partnership with the hospitality industry to improve upon our success and have an enormous impact on our environment." In announcing the availability of the tool, Whitman also recognized the nation's first hotels to receive the ENERGY STAR label for superior energy performance: the 124-room Courtyard Indianapolis Capital, which is owned by White Lodging Services Corporation, and the 1,215-room Sheraton Boston, which is owned by Starwood Hotels & Resorts Worldwide.

AH&LA last week sent a letter to the U.S. Senate urging a resolution to the industry's need for a comprehensive terrorism insurance program. Late last Friday, Senate Minority Whip Harry Reid (D-Nevada) introduced the Terrorism Risk Insurance Act of 2002 (S.2600), a bill designed to establish a temporary federal program that would provide for a transparent system of shared public and private compensation for insured losses resulting from acts of terrorism. Specifically, the bill would "protect consumers by addressing market disruptions and ensure the continued widespread availability and affordability of property and casualty insurance for terrorism risk, and allow for a transitional period for the private markets to stabilize, resume pricing of such insurance, and build capacity to absorb any future losses, while preserving state insurance regulation and consumer protections." The bill was reread on Monday and has been placed on the Senate's legislative calendar. (For more on the bill, visit www.senate.gov and search for S.2600.)

Nearly half (48.2 percent) of all travelers will wait until the last minute to book their vacation plans this summer, according to newly released data from the *2002 American Express Leisure Travel Index*. The study of 1,006 adults, conducted in late April, also reveals that

LODGING TRENDS

To obtain the lowest fares when booking air travel online, you have to shop around, according to the recently released *Consumer Reports Travel Letter*. Based on nine testing sessions amounting to a total of 540 flight queries, the CRTL examines the fares, ease of use, customer service, and related factors at the travel industry's six largest independent websites—Cheap Tickets, Expedia, OneTravel, Orbitz, TravelNow, and Travelocity.

Among other things, the study confirms that no site can be all things to all people. While Expedia delivered the lowest fare most frequently (44%), its routes were sometimes "credibility straining." (For instance, one itinerary for an Atlanta to Miami trip required a stop in Dallas on the departing flight and a stop in Washington, D.C., on the return.) Meanwhile, Travelocity was found to offer the best array of low fares coupled with viable flight choices. The site also was deemed to have the best booking tools. Both Expedia and Travelocity were found to have the best customer service and privacy and security policies.

Also of note: Orbitz supplied the lowest fare in 37 percent of all trials, but those fares were often only about \$5 less than those offered on competing sites. CRTL editor Bill McGee says that CRTL's testing, in conjunction with Consumer WebWatch, could not determine "if Orbitz's owners—the five largest airlines in the country—have built in a competitive advantage." (Orbitz is currently under federal investigation for potential antitrust violations.) CRTL also warns that "The technological divide between the larger three sites and the others [studied] is so considerable that [it] cannot recommend the smaller sites at all, unless the consumer is looking for deeply discounted and nonrefundable fares."

For more information, visit www.consumerreports.org/travel.

Americans have budgeted 7 percent less for their vacations this year. Moreover, a quarter of respondents expressed concerns about budgeting their money wisely this year (up 47.1 percent from 2001); nearly two in 10 worry about keeping their valuables safe while traveling this year, up 35.7 percent from last year. Finally, American Express data suggest that the leisure travel season will peak in July, when 41 percent of Americans commence their vacations, followed by August, when 29 percent will do so. For more information, visit <http://home3.americanexpress.com/corp/latestnews/leisure-travel-survey.asp>.

The Pacific Asia Travel Association has postponed the PATA Americas Travel Mart until 2003 following the release of forecasts that visitor traffic from the Asia Pacific region to North America will not reach pre-September 11 levels until mid 2004. The event, which promotes North American destinations to buyers predominantly from the Pacific Asia region, was originally scheduled to be held in September 2001, but was postponed to 2002 in the wake of the September 11 terrorist attacks in New York,

CONTINUED >>

Virginia, and Pennsylvania. According to Peter Semone, PATA's vice president of development, the delay will give PATA time to expand the show via its new partnership with the American Hotel & Lodging Association. (Joe McInerney departed PATA last fall to succeed Bill Fisher as president/CEO of AH&LA.) The strategic alliance calls for the organizations to jointly assess the timing and location of the 2003 event and future events. "In the post-9/11 environment, PATA is adapting

its trade show policy to deliver very focused events in convenient locations which will draw a lot of support from the marketplace," Semone says. "The proposed alliance with AH&LA would deliver mutually beneficial results to members of both associations."

Jesse Jackson participated in a Hotel Employees Restaurant Employees International Union, Local 75 rally in Toronto this week in a show of support for hotel workers seeking labor

CONTINUED >>

LODGING TECHNOLOGY

American Express will introduce Web search functionality on Corporate Travel Online, its corporate self-booking tool, sometime this summer, *Travel Management Daily* reports. The enhancement is being developed in response to a recent poll of 40 American Express clients. Among other things, the survey found that 30 percent of corporations have amended their travel policies to allow employees to book their own fares; 36 percent still forbid travelers from booking outside the corporate travel agency; and 34 percent said their policies do not address Web fares. FareChase is among the providers being considered to deliver the function.

- Global online commerce—both business-to-business and business-to-consumer—will reach \$6.8 trillion by 2004, according to the latest forecast from Forrester Research. (The data does not indicate how travel and tourism-related purchases will fare in the years to come.)

- Worldspan debuted hotel tax, surcharge, and fee disclosure functionality in Worldspan Hotel Source, its hotel reservation technology. The enhancement provides e-commerce subscribers and travel agents with real-time rate information (including taxes, surcharges, and fees) for requested hotels directly from the participating hotel company's internal reservations system. Starwood Hotels & Resorts Worldwide already has signed up to participate.

- In other news, Starwood will begin posting job vacancies for its owned and managed properties on Hcareers.com. Launched in 1998, Hcareers' U.S., Canada, and United Kingdom/Ireland sites focus solely on hospitality-related career opportunities.

- Universe2U will acquire the broadband assets of Wisper Networks for \$281,216 in cash and stock. The transaction includes Wisper's customer base and the equipment that serves them, supply contracts, agent agreements,

and strategic agreements with key suppliers.

- BridgeStreet Corporate Housing Worldwide has made its full, North American corporate housing inventory available on all GDSs, including Amadeus, Galileo, Sabre, and Worldspan. The company, a subsidiary of MeriStar Hotels & Resorts, claimed to be the first provider of corporate housing to business travelers to place its entire housing inventory online, prompting competitor Oakwood Worldwide to issue its own press release making the same claim.

- Trip.com, Cendant Corporation's recently relaunched leisure travel website, will begin selling timeshare vacation packages sometime this summer via a "packaging engine," *Travel Weekly Crossroads* reports. The engine will allow travelers to search for and book packages with airline, rental car, and timeshare components, including Cendant-owned brands Resort Condominiums International and Avis.

- In other news, Cendant's hotel group announced that one million room nights have been booked so far this year via its nine brand websites—two months ahead of the date on which Cendant hit the one million mark in 2001.

- Pegasus Solutions' board of directors has authorized a new stock buyback program for the repurchase of up to 2.5 million shares. As of May 31, the company had 24.8 million shares of common stock outstanding.

- Radiant Systems' workforce management system has been implemented at 175 full-service Marriott International hotels nationwide. The application allows Marriott managers to match associates' shifts with forecasts of room occupancy and events. Activity-based scheduling functionality also assigns associates to various roles within each shift to further focus on customer needs.

- TravelNet Technologies' DataValet in-room, high-speed Internet service will be installed at

select Someplace(s) Different properties throughout North America. The solution already has been deployed at Someplace(s)' E.F. Lane hotel in Keene, New Hampshire, and Glen Erin Inn in Mississauga, Ontario.

- Gemplus International S.A. has been commissioned to develop a multi-use customer loyalty card scheme for Millennium and Copthorne Hotels. All told, Gemplus will create and deploy up to 305,000 Millennium PartnerCards—featuring smart-card chip and magnetic stripe technologies—for use at M&C properties in the United Kingdom, Europe, the United States, Australia, and Asia-Pacific by 2003.

- Sterling Valley Systems has launched Inntopia-Plus, a solution that provides hotels with distribution to the major GDSs and alternative distribution systems. The company also signed an agreement with VIP International to give Inntopia users the option to distribute their room inventory and rates to more than 600,000 travel agents worldwide, as well as to major travel sites.

- Amadeus has launched Dynamic Access, a new level of seamless connectivity that gives travel agents direct access to the reservations systems of participating hotels at all stages of the booking process. The solution made its debut this week at select Marriott International hotels. (Marriott is Amadeus' launch partner.) "This expanded functionality provides agents with the most timely and accurate information on rates and availability for multiple hotels," says Bruce Wolff, Marriott's senior vice president for distribution sales and marketing. "Agents can now shop and sell Marriott brands with an even greater level of comfort and confidence, knowing that they are receiving accurate information when making buying decisions." Other hotel groups will begin implementing the solution in the weeks to come.

CONTINUED >>

improvements, the *Toronto Sun* reports. More than 2,000 employees of the Delta Chelsea, Sheraton Center, Hilton, and Fairmont Royal York hotels in downtown Toronto—including room attendants, servers, bartenders, cooks, and maintenance staff—have threatened to strike if current contract negotiations are not resolved by June 23. “Workers, you won’t get what you deserve simply because you deserve it,” Jackson told a crowd of 500. “You’ll get it because you’ll fight for it.” Among other things, the workers are seeking to raise the standard for wages, job security, and working conditions for employees at 30 hotels throughout the region.

Boyd Gaming Corporation has named Jeffrey Rodefer corporate compliance officer/associate general counsel. Rodefer most recently served as assistant chief deputy attorney general for the state of Nevada.

FelCor Lodging Trust has named Jeff Symes vice president/assistant controller. Symes, a certified public accountant who most recently served as senior manager with KPMG LLP in Dallas, worked with a number of commercial real estate clients, including public REITs, during his 14-year tenure.

Marriott International has been named “Corporation of the Year” by the Washington, D.C., chapter of the National Black MBA Association. (NBMBAA is a business organization dedicated to developing, enhancing, and adding value to the economic structure of the nation and African American communities.) The annual award, to be presented June 18, honors Marriott

for its commitment to support the organization’s range of member programs. Marriott has been a strategic partner to the NBMBAA nationally and locally for more than 10 years.

AH&LA’s Educational Institute has partnered with Lexicon Marketing, a California-based producer of English-language programs for Spanish speakers, to provide English as a Second Language programs to the hospitality industry. As a result, member properties and hospitality organizations may purchase Lexicon Marketing’s “Inglés Sin Barreras” (English without Barriers) video program and “Inglés para Hotelería y Turismo” (English for Hotels and Tourism) hospitality industry-specific program directly from EI for \$1,299.95 and \$149.95, respectively. (Nonmembers may purchase the products for \$1,599.95 and \$179.95, respectively.) For more information, call EI at 800-752-4567 or 407-649-8252. In other news, AH&LA recently honored MeriStar Hotels & Resorts with its “Company of Excellence” award, presented annually to lodging companies with outstanding records of support for the association and its activities.

Robert Beck, former dean of the Cornell School of Hotel Administration, and his late wife, Jan, were honored this week in a dedication ceremony for the Beck Center, a proposed expansion to the school’s existing Statler Hall. Construction on the \$15.5 million project is expected to begin this fall and be completed in fall 2004. Once open, the Beck Center will house a lecture hall for 140 students, three case study rooms, an expanded

CONTINUED >>

CONTINUED FROM PAGE 3

- Unica Corporation has been commissioned to deliver its Affinium customer-driven marketing solutions to Intrawest Corporation’s village-centered resorts in North America.
- Acxiom, a global provider of customer and information-management solutions, has expanded into the hospitality industry via partnerships with several gaming, hotel, and travel companies, including MGM Mirage, Travelocity.com, the Broadmoor resort, and JetBlue Airways Corporation. Specifically, Acxiom has developed marketing solutions that enable these companies to develop a more complete picture of their relationships with their customers.
- Infinium Software has signed an original manufacturer agreement with Inter-American Data, a provider of lodging management system software to the hospitality industry. Terms of the

agreement call for Inter-American to sell, install, support, and provide training for modules of Infinium’s financial management solutions to small North American hotels.

- VisualFrenzy Media, a provider of streaming marketing videos to the lodging industry, has been added to Choice Hotels Canada’s list of endorsed vendors.
- Newmarket International’s NetXchange MeetingBroker solution has helped hoteliers sell more than 6 million room nights since its debut in June 2000. Since January, electronic bookings have averaged 500,000 per month.
- WorldRes.com this week announced that its hotel supply has exceeded 30,000 hotels, bed and breakfasts, inns, and resorts worldwide.
- Priceline.com has signed a marketing agreement to build and operate a Name Your Own Price booking engine for airline tickets, hotel

rooms, and rental cars on OneTravel.com’s website. The agreement also stipulates that some of OneTravel’s specially negotiated, fixed-price travel deals be made available to priceline.com customers. Terms were not disclosed.

- MGM Mirage has launched a website (www.mgmmiragediversity.com) to expand its involvement with minority-owned, women-owned, and disadvantaged businesses. MGM Mirage hopes to have 7,500 companies in the database that powers the website by year’s end.
- Travelocity has launched a marketplace for Walt Disney World vacation planning and purchasing on its website. The Disney vacations store (www.travelocity.com/disneyvacations) includes drive-to and air-inclusive packages and promotions, airfare deals, and summer hotel rates, in addition to admission to Disney’s Orlando theme parks.

computer center, a three-story “curtain of glass,” and study/meeting rooms.

ACQUISITIONS/DEVELOPMENT

Jameson Inns reported a 0.3 percent decline in year-over-year RevPAR (to \$31.90) in April and a 1.5 percent decline (to \$32.70) in May at its 125 owned properties nationwide. The company also saw occupancy fall 3 percent (to 53.9 percent) and 4 percent (to 54.2 percent), respectively. Despite the drops, ADR increased 3 percent (\$59.30) in April and 2 percent (\$60.30) in May.

InnVest Real Estate Investment Trust has filed a preliminary prospectus for an initial public offering in Canada, Bloomberg News reports. Proceeds from the offering will be used to acquire 114 Choice brand hotels in Canada—including Comfort Inn, Quality Inns, Quality Hotels, and Quality Suites properties—as well as a 50 percent stake in Choice Hotels Canada, the Canadian-based franchiser of those brands. (Choice Hotels International owns the other 50 percent, but is not involved in the pending transaction, according to spokesperson John Hawkins.)

Hilton Group plc is in advanced talks with Rotch, a private property group, over a sale-and-leaseback deal involving some of its U.K. hotels, the *Times* of London reports. The deal, valued at nearly \$589 million, is believed to include 10 hotels, though the final terms have not been negotiated. An unnamed industry source told the newspaper that the transaction would raise at least \$368 million, depending on the combination of properties involved. If approved, the deal would be a “groundbreaking” follow-up to last year’s disposal of 11 hotels to Royal Bank of Scotland—a transaction that raised more than \$459 million.

Princess Cruises opened the 85-room Copper River Princess Wilderness Lodge in Copper Center, Alaska. Located on more than 200 acres in the Glennallen and Copper River area of southcentral Alaska, the property borders the nation’s largest national park, Wrangell-St. Elias.

Hilton Hotels Corporation opened Hilton Garden Inn hotels in Miramar, Florida (149 guestrooms), and Fishkill, New York (111).

The Florida hotel is owned and managed by MEI Hotels; the New York property is owned by Roedel Partners, LLC and managed by Granite Lodging Group, LLC.

Extended Stay America opened a 109-room Extended StayAmerica Efficiency Studios hotel in Lone Tree, Colorado.

Six Continents Hotels will open a 400-room Crowne Plaza hotel near Orlando’s Universal Studios and Walt Disney World theme parks on June 17. The \$50 million property, located on International Drive, will feature a full-service restaurant, 5,000 square feet of meeting and banquet space, and six conference rooms with videoconferencing and high-speed Internet access.

George Washington University will celebrate the grand reopening of the 151-suite One Washington Circle Hotel in Washington, D.C.’s Foggy Bottom neighborhood on June 20. (GWU acquired the property from Starwood in January 2001 for an undisclosed amount.) The hotel, which has undergone significant renovations in the past six months, is managed by Potomac Hospitality Services.

Occidental-Allegro Hotels & Resorts will celebrate the grand opening of the 769-suite Occidental Grand Flamenco Xcaret Resort & Spa in Playa del Carmen, Mexico, on July 1. The all-inclusive resort in the heart of the Riviera Maya boasts a convention center that houses up to 1,800 guests, 11 restaurants, and complimentary access to nearby Xcaret Park.

Preferred Hotels & Resorts Worldwide will open a 220-unit property in Washington, D.C., early next month. The Washington Terrace Hotel, located six blocks from the White House, also will feature a restaurant and lounge.

FISCAL FACTS

American Skiing Company reported net income of \$26.4 million for the third quarter ended April 28, compared with net income of \$7.2 million in the same period last year. The company also reported a year-to-date net loss of \$82.5 million, compared with a loss of \$27.3 million in year-to-date 2001.

Winston Hotels declared quarterly cash dividends of 15 cents per common share and 57.8 cents per preferred share, payable July 16 to shareholders of record on June 28.